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Games Economists Play

Machine Dreams: Economics Becomes a Cyborg Science

PHILIP MIROWSKI
CAMBRIDGE UNIVERSITY PRESS, 2002
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Robert Nelson tells us in *Economics as Religion* that modern economics is a branch of theology.[1] In a book that shows his immense learning, Philip Mirowski presents an altogether different story of post-World War II economics. As he sees matters, economics faced a crisis at the end of the 1930s. The standard model of economic theory, based heavily on nineteenth-century science, encountered problems it could not solve.

Developments in military research during World War II offered a way out of the crisis. In particular, John von Neumann, a mathematician of surpassing

[1]See my review in *The Mises Review*, vol. 8, no.1, pp. 6 ff.

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intellect, wished to reconstruct economics on new foundations. At first, he invented a new branch of mathematics, game theory, as a tool with which to accomplish this task. But he quickly moved on to another project.

In his new view, economics was to be subsumed in a general science that investigated the nature of artificial intelligence. The new theory of automata blurred the distinction between human and machine operations—thus the "cyborg science" of the book's title. (A cyborg has both human and machine properties; sometimes, Mirowski uses the term to describe scientists who study these devices.)

Unfortunately, economists proved unequal to the task von Neumann had set them. Mirowski concentrates his attention in this regard on the Cowles Commission, an influential group of economists that benefited heavily from military funding, and on the RAND Corporation, for which many noted economists worked. Instead of developing a new science along the lines von Neumann suggested, the economists in these two groups attempted to salvage as much as they could of the old general equilibrium model.

Two factors especially limited their progress. Their version of game theory stressed the importance of Nash Equilibrium, a concept that von Neumann dismissed as having little importance. To Mirowski, the progenitor of this concept, the brilliant but mentally unstable mathematician John Nash, is the antihero who has misdirected modern economics. Further, the Cowles Commission and its allies failed adequately to use cyborg science, owing to their bewitchment by the *fata morgana* of equilibrium.

Not content with being a historian, our author also dons the prophet's mantle. He sketches a new way of practicing economics that he regards as more responsive to the cyborg revolution. Those inclined to an Austrian perspective will see many things differently from Mirowski; nevertheless, his vast tome has much to teach us.

As already noted, Mirowski sees much of modern economics as dominated by the general equilibrium construct. The elaborate attempt to work out the mathematical details of equilibrium was not simply an attempt to carry out the program of Léon Walras. Instead, a key purpose was to counter Mises's calculation argument.

Mises maintained that a developed modern economy could not function without economic calculation; and only the price system of capitalism can fulfill this task. If he was right, the entire socialist project lay in ruins:

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hence the imperative necessity for true believers in socialism to answer him. A popular solution endeavored to enlist the equations of general equilibrium in support of socialism. If socialist planners could solve these equations, Mises had not destroyed socialism—so at any rate it was claimed. To make good their contention, these socialists needed to develop an exact account of equilibrium. "It has yet to be fully appreciated that many of the key figures in the history of the postwar Cowles Commission cut their eyeteeth on this [calculation] controversy. Jacob Marschak's first published article (1923) was a response to the Mises broadside. Leonard Hurwicz, who joined Cowles in 1942, subsequently constructed a separate interpretation of the controversy" (p. 233).

For some of the Cowles group, the issue between capitalism and socialism became entirely practical: which could come closer to realizing the requirements of equilibrium, a state of perfect efficiency? The distinguished Dutch economist Tjalling Koopmans, later a Nobel laureate, "helped innovate Cowles's explicit novel response to Hayek, that the Walrasian model actually illustrated the 'economy of information' that existed in a perfect market or in decentralized market socialism" (p. 259).

According to Mirowski, an even more famous economist found himself gripped by the need to respond to Mises and Hayek. Kenneth Arrow's impossibility theorem "was also a direct product of Cowles's participation in the socialist calculation controversy, although few have seen fit to situate it within that context" (p. 302).

Mises and Hayek said that a socialist economy could not function. Arrow turned the tables on them by claiming that a democratic system of majority rule could not generate a consistent set of social preferences. Only "dictatorial

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or imposed regimes" could achieve complete logical consistency. "For anyone steeped in the socialist calculation controversies of the 1930s, it is hard to see it [Arrow's theorem] as anything other than a reprise of the Cowles theme that the Walrasian market is a computer *sans* commitment to any computational architecture or algorithmic specification; the novel departure came with the assertion that democratic voting is an *inferior* type of computer for calculating the welfare optima already putatively identified by the Walrasian computer" (pp. 303–04).

I am not sure this account of Arrow will stand up: does a problem with democratic voting show a weakness in the free market? But Mirowski has established his main point: much of the elaboration of general equilibrium by the Cowles economists aimed to reply to Mises. Why, though, should this lead to a crisis in economic theory?

The answer lies ready to hand. These models have no relevance to the real world: they give us an economics "that never was, on sea or land." Our author might have noted that Mises knew this perfectly well. He found it "a serious mistake to believe that the state of equilibrium could be computed, by means of mathematical operations, on the basis of the knowledge of conditions in a nonequilibrium state. It was no less erroneous to believe that such a knowledge of the conditions under a hypothetical state of equilibrium could be of any use to acting man in the search for the best possible solution of the problems with which he is faced in his daily choices and activities" (*Human Action*, pp. 710–11).

Of course the Cowles economists did not admit that they had failed to answer Mises's challenge to socialism. But, even from their own point of view, their models proved unsatisfactory. They were not praxeologists in the style of Mises, who could claim that their results are known a priori to apply to the real world. Rather, they sought empirical validation for their models, but this was not in the offing. Mirowski stresses in this regard the failed attempts of Harold Hotelling and Henry Schultz to derive demand

Does a problem with democratic voting show a weakness in the free market?

curves on Walrasian principles. "Schultz wrote up the results of his decade-long search . . . in his 1938 book *Theory and Measurement of Demand*. . . . Schultz bravely reported the empirical debacle in detail, and then produced a litany of excuses why things had not worked out as hoped" (p. 195).

Here then lay the problem for general equilibrium economics as it stood at the onset of World War II. In a vain

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attempt to refute Mises, the Cowles economists attempted to elaborate detailed equilibrium models. But these proved useless for understanding the world. What, then, was to be done?

Once more, Mises offered a way out. The proper method of economics neither admits of, nor requires, empirical validation: "[Schultz's results] are, at best, rather questionable and unsatisfactory contributions to various chapters of economic history. They are certainly not steps toward the realization of the confused and contradictory program of quantitative economics. . . .

"There is in the field of human action no means of dealing with future events other than that provided by understanding."

There is in the field of human action no means of dealing with future events other than that provided by understanding" (*Human Action*, p. 349).

The Cowles group, along with their RAND confreres, chose a different way to respond to the crisis. Perhaps economics, as they practiced it, had been too narrowly conceived; the key to progress was to embed economics within a general science of information.

Our question recurs: How was this to be done? Once more, there was an Austrian answer, this time provided by Hayek. "The need to refute 'market socialists' such as Lange thus led directly to the initial landmark revision of the image of market functioning away from static allocation and toward information processing. The clearest statement of this momentous shift can be found in Hayek's 'Use of Knowledge in Society'" (p. 238).

Once more Mirowski's economists spurned the Austrian approach: it was not "scientific" enough to suit them. Hayek presumed to write about economics without using high-powered mathematics. "By his own admission, Hayek was incapable of appreciating von Neumann's mathematical enthusiasms. He may also have been oblivious of the withering skepticism trained in his direction by his former colleague [Oskar] Morgenstern. . . . The Morgenstern diaries are replete with disparaging remarks about Hayek" (p. 238).[2]

The Cowles economists wanted a general science of information; and, fortunately for them, a mathematical genius offered the tools to proceed. John von Neumann first devised game theory as a new approach to the study of rational action. Not content with

[2]Mirowski misses the influence of Ludwig von Bertalanffy's general systems theory on Hayek, who was not so ignorant of mathematics as Mirowski imagines.

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this, he shifted his attention to an even more sweeping study: "I [Mirowski] believe the best way of making sense of the evidence from von Neumann's last decade is to regard game theory as being progressively displaced as a general theory of rationality by the theory of automata" (p. 146).

Such economists as Arrow, Debreu, and Koopmans did not make full use of the opportunity von Neumann's innovations provided them. Instead, blinded by their unwillingness to cast general equilibrium aside, they inconsistently attempted to combine cyborg science with their old models.

I cannot think that Mirowski's bold thesis succeeds.

Here the book's archfiend, John Nash, enters to exert his malign influence. His famous Nash Equilibrium took game theory away from the cooperative solutions that interested von Neumann toward "terminal paranoia" (p. 340). In Nash equilibrium, no player can benefit from a change in strategy, so long as everyone else's strategy remains unchanged. By a process of reasoning I am unable to fathom, Mirowski considers this idea an expression of Nash's well-known mental illness (or weirdness, if you take the Szaszian view that mental illness is a myth). Again in a way difficult to understand, our author regards Nash equilibrium as somehow inconsistent with "cyborg science."

In the midst of his crude psychologistic reductionism directed at this veritable Lucifer, Mirowski makes a valuable historical point. "John von Neumann himself explicitly rejected the Nash equilibrium as a 'reasonable' solution concept" (p. 334, emphasis removed). Nevertheless, because Nash's views fit the strategic war-gaming practiced at RAND, they prevailed. Later exponents of game theory, including Robert Aumann and Kenneth Binmore, have papered over the breach between von Neumann and Nash, in the process virtually expunging von Neumann from the history of game theory.

However gifted such figures as Arrow and Debreu, these economists proved too tied to old ways of thinking. Though they saw the Promised Land of a true machine science, they turned back. If they had been willing to follow von Neumann, they would have demoted game theory to a minor place and devoted full attention to cyborgs.

I cannot think that Mirowski's bold thesis succeeds. Von Neumann, as our author rightly claims, endeavored to investigate the general properties of automata. But it does not follow from

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this undoubted fact that he wished to replace economics with this study. Mirowski offers no evidence that von Neumann favored such a replacement, much less that he counseled economists to abandon their discipline for "cyborg science."

I have delayed long enough; I must here confess abject failure. Despite Mirowski's best efforts, I have been unable to grasp why the study of cyborgs is supposed to revolutionize economics. The idea does not seem altogether useless; but the relevance of the new discipline is hard to grasp. When we learn, for example, that Alain Lewis has proved that under certain conditions, a Walrasian general equilibrium cannot be programmable on a Turing Machine, how much does this damage the Walrasian system? Is it essential to the Walrasian view that it be thus programmable?

Toward the end of the book, one sees better Mirowski's aim. "[T]he logical apotheosis of all the various cyborg incursions into economics recounted in this book resides in a formal institutional economics that portrays markets as evolving computational entities" (p. 539). If you think this, then the conditions of equilibrium, and everything else for that matter, had better be programmable. But as to the reasons for adopting the cyborg view, we are left in darkness. Mirowski sees cyborgs as the wave of the future. In his view, economists must ape the progressive science of the day. Would it not be better for them to study human action? And how better to do so than to study *Human Action*? ✦

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Still Trashing the Market

The Market System: What It Is, How It Works, and What To Make of It

Charles E. Lindblom
Yale University Press, 2001
296 pgs.

Charles Lindblom is at it again. In *God and Man at Yale*, William Buckley, Jr.'s indictment of leftist teaching at Yale University written half a century ago, a young teacher at the college was mentioned as a source of anticapitalist sentiment. How can one justify the large incomes obtained by the fortunate few, this instructor wanted to know, when these lucky ones owe their opportunities to society?

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Professor Lindblom's argument manifests a fundamental misunderstanding of the case for capitalism.

Professor Lindblom, long since retired, still finds persuasive this sophism of his youth.

In *The Market System*, he challenges those who defend the justice of market allocation. Given an initial assignment of resources, a capitalist system leaves everything else to the voluntary transactions of individuals. If you earn a great deal of money, you do so because other people voluntarily pay you for the goods and services you provide them. Concerning this line of argument, Lindblom asks us to consider a case where someone increases his price while making the "same" contribution.

He remarks: "Perhaps all that has changed is the distribution of wealth and income, with the result that some people who earlier valued your services no less than they do now are now able to spend more on them, thus raising the price you can charge. Generalized, that conclusion means that because what the market pays anyone depends on the existing distribution of wealth and income, we cannot measure a person's market contribution . . . by looking at what one is paid. . . . What any individual can accomplish in market cooperation depends on the skills, capacities, and placements of the others and thus on the degree and quality of organization of the whole system" (p. 119).

Professor Lindblom's argument manifests a fundamental misunderstanding of the case for capitalism. Unless some people with money to spend wanted to read books critical of capitalism written by leftist intellectuals, our author would be unable to sell his book. But this does not weaken his claim to the money he is paid for the book: quite the contrary, that very fact just *is* his claim to the money. Lindblom assumes without argument a principle of the form, "Someone in the market system is justly entitled only to the value which he bears exclusive responsibility for creating." Triumphantly discovering that nothing meets this requirement, he concludes that market allocation lacks an ethical basis. But his conclusion follows only if one adopts his odd and ungrounded premise.

Lindblom's abuse of logic in his argument goes further. Suppose one

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grants him that because the value of his book in large part depends on the preferences and actions of people besides him, he is not entitled to what people choose to pay him. It hardly follows that it is up to "society" to decide the issue. Lindblom has argued in this way: The value of what someone produces depends on the actions of everyone else, that is, on "the whole system." But this is to reify "the whole system" as if it were a separate entity with rights and entitlements of its own.

I fear that Professor Lindblom has a bee in his bonnet about laissez-faire capitalism. He simply will not let up in directing bad arguments against this most productive of all social systems. He complains: "The market quid pro quo rule acknowledges no ethical value —no human merit or contribution to society worth rewarding—other than the capacity to offer the kinds of objects and performances that can be sold in markets. . . . I [Lindblom] know of no ethical principle that defends distributing the benefits of social life only in response to market contributions, in disregard of all other contributions" (p. 118).

One is reminded of the opening line of one of Kipling's last articles: "what nonsense!" Of course a free-market society does not confine its rewards to what can be bought and sold in markets. Only what is offered for sale in a market receives a market reward, but this is not a controversial ethical principle. Rather, it is a mere tautology. Objects and performances not sold in markets receive nonmarket rewards. Why does Lindblom assume that people in a capitalist society value nothing but what the market produces? His confusion is all the more surprising as he himself elsewhere reminds us that the market is only part of society: "the idea of a society in which the market system alone is society's coordinator is obviously nonsense and is fortunately only rarely espoused. Most of us well understand the need for state, family, enterprise, and the various arrangements of civil society" (pp. 106–07). Some of us would demur about the need for a state, but Lindblom's point is in substance right. Why then does he forget it when he indicts capitalism for recognizing only market values?

I fear that Professor Lindblom has a bee in his bonnet about laissez-faire capitalism.

Professor Lindblom next tugs at our heartstrings. Does not the market system with its quid pro quo rule allow those who have no productive contribution to make to starve? He imagines a visitor from another planet who, encountering a free-enterprise system, shrinks back in horror when he discovers that people have no rights to welfare. The interplanetary visitor says, in Lindblom's rendition, "Do you mean to

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tell me that in your society, other than a claim to liberty to work for wages and to hold and use assets if you can get any, no one has any claim on anyone else, on government, or on society other than what one can claim by offering something in return. . . . You call yourselves human beings?" (p. 114).

Clearly, the spaceman speaks for our author, who elsewhere bemoans the millions of people who would starve, were the market rule strictly applied. Would not all infants fail to reach adulthood, since they make no market contribution? "[T]he world would lie depopulated in a generation" (p. 120).

I venture to suggest that Lindblom has totally misapprehended the issue.

I venture to suggest that Lindblom has totally misapprehended the issue. The question is not whether people without assets or marketable skills should starve; of course they should not. But does it help these unfortunates to give them enforceable rights to sustenance? A legal enactment of this kind will not conjure into existence any resources, and these can be obtained only from the productive. Why will the poor fare better if they depend on the state to seize wealth from others, rather than rely on charity? Again Lindblom falls into the fallacy of thinking that a market society contains nothing but market transactions.[1]

One must give Lindblom credit. He tosses out arguments against the free market in almost endless profusion. One of these is ingenious, though mistaken. When defenders of the market laud it as efficient, they mean by this that it tends to produce goods and services at the least cost in resources, given an initial distribution of assets. I will exchange my apples for your oranges, so long as trade benefits us both. The distribution of apples and oranges that results from our trades will thus be efficient, relative to our starting point.

With entire correctness, Lindblom emphasizes that market efficiency is relative to a starting point. But then, incredibly, he claims that because of this fact, the market is not *really* efficient. "Market systems . . . largely give up the possibility of an efficient resource allocation and pattern of production. They settle instead on inefficient allocations improved to the degree that voluntary transactions make improvement possible" (p. 174).

[1] A fuller treatment would also need to consider whether the notion of welfare rights is coherent. I touch on this in my review of *The Ideal of Equality* elsewhere in this issue.

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I gather that what he means is this: A market system always begins from an initial distribution, and we cannot ask whether this is efficient. A planner, however, is not bound by an initial allocation of resources. He can ask what is efficient in a wider, commonsense use of the term. "But for our purposes it is regrettable that economists wish to appropriate the word 'efficiency' for only the mutually advantageous interactions. The more common definition of efficiency—and the one used throughout our analysis—says that a choice is efficient if the gains warrant the losses, no matter on whom the gains or losses fall" (p. 285). The planners, then, will assess gains and losses; and society will end up more "efficient." How the gains and losses are to be assessed we are not told. To be informed, "Judgments of that kind are inescapable" (p. 285) does not help very much. In practice, Lindblom's "efficiency" merely substitutes the judgment of the planners for the free choices of market participants.

I have so far been very critical of *The Market System*, much against my easy-going nature; so I am happy to acknowledge that the book contains some good things. Professor Lindblom has no use for the anticapitalist argument that the free market degrades work, "because its ennobling purposes are either lost or subordinated to gaining income" (p. 203). He aptly points out that the "most conclusive refutation of the degradation-of-work thesis . . . simply points to attitudes toward work in premarket societies, To Aristotle, labor was degrading, a judgment dominant into the nineteenth century, as illustrated in English upper-class contempt for both work and trade. It is only with the rise of the market system that the contempt begins to die away" (p. 204).

Lindblom is for the most part content to repeat his arguments of fifty years ago.

The book contains several other insightful points, but I shall mention just one more. Lindblom notes that "monopoly is a lesser source of inefficiency than commonly thought because, in the extreme form in which it is often imagined, it does not exist. All sellers compete with all other sellers, and each limits the power of the others to manipulate prices" (p. 155).

Unfortunately, insights like this appear but rarely. Lindblom is for the most part content to repeat his arguments of fifty years ago. Perhaps in another half-century he will grasp what is wrong with them.[2] ✦

[2]I hope he will also acquire a more accurate knowledge of Newton's *Principia*. It is *not* true that Newton attributes "nothing to God except responsibility for setting celestial mutual adjustment in motion" (p. 29).

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The Despot Named Lincoln

The Real Lincoln: A New Look at Abraham Lincoln, His Agenda, and an Unnecessary War

Thomas J. DiLorenzo
Forum, 2002
xiii + 333 pgs.

Why is *The Real Lincoln* so much superior to Harry Jaffa's *A New Birth of Freedom*? Jaffa offers a purely textual study: he considers, as if he were dealing with Aristotle or Dante, every nuance he can discover or manufacture in Lincoln's speeches. Professor DiLorenzo follows an entirely different course. He compares Lincoln's words with what he actually did, and the result is a historical rather than a mythological figure.

Our author confronts those who portray Lincoln as the Great Emancipator with a simple but devastating question: If Lincoln was so much opposed to slavery, why did he not endeavor to abolish it peacefully through a scheme of compensated emancipation? "Lincoln did pay lip service to various compensated emancipation plans, and he even proposed a compensated emancipation bill (combined with colonization) in 1862. But the man whom historians would later describe as one of the master politicians of all time failed to use his legendary political skills and rhetorical gifts to accomplish what every other country in the world where slavery had once existed had done; end it peacefully, without resort to warfare" (p. 52).

How might Jaffa and his fellow Lincoln idolaters reply? Perhaps they will allege that Lincoln judged compensated emancipation politically impossible to realize and for that reason did not pursue it. To this, DiLorenzo has a ready response: "Slavery was already in sharp decline in the border states and the upper South generally, mostly for economic reasons . . . there is evidence that there was growing political support within the border states for gradual, peaceful emancipation that would have ended slavery there" (p. 51).

DiLorenzo compares Lincoln's words with what he actually did, and the result is a historical rather than a mythological figure.

But what if Lincoln took a different view? Here I think one must answer that he did not even investigate the

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question. Would one not expect a sincere opponent of slavery to devote considerable attention to the feasibility of peacefully ending it? Further, "Roy Basler, the editor of Lincoln's *Collected Works*, commented that Lincoln barely mentioned slavery before 1854, and when he did, 'his words lacked effectiveness'" (pp. 54–55).

As DiLorenzo ably argues, Lincoln's real concerns lay otherwise. Throughout his political life, he enlisted under the banner of Henry Clay's "American System." Proponents of this plan favored a strong central government in order to promote economic development. In classic mercantilist fashion, Clay and his supporters wanted the government to direct the economy through spending on "internal improvements," high protective tariffs, and a nationalized banking system.

Our author does not confine himself to a mere description of Lincoln's economic goals. He is an economist of distinction and readily locates the fallacies in these interventionist programs. As one would expect from someone trained in both public choice and Austrian economics, he at once seeks the self-interested motivations behind policies that profess to secure the national good. "[P]rotectionism . . . was a means by which a government could dispense favors to well-connected (and well-financed) special interest groups, which in turn provided financial and other support for the politicians dispensing the favors. It benefits both those industries that are protected from competition and the politicians, but it harms everyone else. . . . The same can be said for another element of mercantilism—tax-funded subsidies to politically well-connected businesses and industries. These subsidies generally benefit only those businesses that are lucky enough to get them, at the expense of the taxpayers generally" (pp. 56–57).

The author at once seeks the self-interested motivations behind policies that profess to secure the national good.

Those inclined to defend Clay and his disciple Lincoln on the grounds that government must provide us with "public goods" such as roads would be well advised to read DiLorenzo's discussion of the internal improvements voted by the Whig-dominated Illinois legislature. The Illinois program proved a complete financial disaster, and other states that invested in internal improvements fared no better. "What all this suggests is that the Hamilton/Clay/Lincoln agenda of government subsidies for road building and railroad corporations was wildly unpopular throughout the nation and had been an abysmal failure in every instance" (p. 83).

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The financial exactions of tariffs and internal improvements fell with especial force on the South. The states in this region depended heavily on trade, and as a result paid most of the tariffs. "Since they were so dependent on trade, by 1860 the Southern states were paying in excess of 80 percent of all tariffs, while they believed that most of the revenue from the tariffs was being spent in the North. In short, they believed they were being fleeced and plundered" (p. 126).

Small wonder that the South was not prepared to put up with Lincoln's plans for even higher tariffs, and debate over secession stressed these financial exactions. Like Charles Adams, in his excellent *When in the Course of Human Events*, DiLorenzo traces the onset of war to Southern resistance to the nationalist economic program, and Lincoln's determination to enforce it. "To a very large extent, the secession of the Southern states in late 1860 and early 1861 was a culmination of the decades-long feud, beginning with the 1828 Tariff of Abominations, over the proper economic role of the central government. Lincoln and the consolidationists wanted to construct a massive mercantilist state, whereas it was primarily Southern statesmen who always stood in their way. These statesmen apparently believed that secession was their trump card" (pp. 128–29).

DiLorenzo is amply prepared for the objection that even if the Southern states justly opposed Lincoln's economic plans, they had no legal right to secede. In this view, Lincoln had a constitutional duty to preserve the union by any means necessary. Quite to the contrary, DiLorenzo shows that dominant legal opinion granted states the right to depart. Nor was this exclusively a Southern view of the matter. During the War of 1812, many in New England favored abandoning the union; and our author, relying on the research of Howard Cecil Perkins, points out that the majority of newspaper editorials in the North from late 1860 to mid-1861 recognized the right of secession.

The majority of newspaper editorials in the North from late 1860 to mid-1861 recognized the right of secession.

Once the war began, Lincoln conducted himself as a thoroughgoing dictator, and DiLorenzo gives a full account of the president's suppression of civil liberties. Here we are on familiar ground, but our author shows great dialectical skill in prosecuting his case. I found particularly impressive his identification of a line of defense essayed by some of Lincoln's advocates. Sometimes, writers on Lincoln and civil liberties describe in great

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detail Lincoln's suppression of liberty, but conclude with praise for his "moderation." DiLorenzo with great force notes the discrepancy between evidence and conclusion.

Among the guilty is the foremost of all historians who have written on the topic, James G. Randall. "In chapter after chapter of his 595-page book *Constitutional Problems Under Lincoln*, he [Randall] dutifully describes not mere problems but the destruction of constitutional liberty. He concludes almost every chapter with a string of excuses. . . . The establishment of a dictatorship was not the overthrowing of the Constitution but merely 'out of keeping with the normal tenor of American law.' Nor were thousands of arbitrary arrests an example of tyranny but only 'unfortunate,' and made, after all, with 'the best of motives'" (p. 160).

Incredibly, the same pattern recurs among Lincoln's partisans when they describe the gross violations of international law committed, with Lincoln's entire approval, by Generals Sherman, Sheridan, Butler, and many others. After his bombardment of Atlanta, "Sherman's army went on its usual binge of looting and burning. . . . It has been estimated that more than 90 percent of the city was demolished" (p. 186). As if this were not enough, Sherman expelled the remaining civilian residents from the city. Nevertheless, Mark Grimsley, a leading military historian, "downplays the suffering of the citizens of Atlanta by saying that 'only' a few thousand of them were evicted from their homes" (p. 187). In the face of Sherman's march to the sea and Sheridan's burning of the Shenandoah Valley, Mark Neely writes that "Sherman and his 'fellow generals waged war the same way most Victorian gentlemen did, and other Victorian gentlemen in the world knew it.' Total war, according to Neely, was just not Sherman's cup of tea" (p. 198).

To attack Sherman and his cohorts is fortunately not very controversial, even in these times of abject Lincoln worship; but to state the obvious clearly is no small virtue. Professor

DiLorenzo with great force notes the discrepancy between evidence and conclusion.

DiLorenzo undertakes a much more difficult task, though, in his treatment of Reconstruction. Here he undermines completely the arguments of the dominant approach to this period among contemporary American historians.

Early in the twentieth century, W. A. Dunning and his students at Columbia University portrayed the Reconstruction period as, in the words of

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Claude Bowers, a "tragic era," dominated by corruption. The Republican Party, easily controlling new black voters, established puppet governments in the conquered Southern states. The party "used the power gained from this to plunder the taxpayers of the South for more than a decade after the war ended" (p. 202).

One might think such blatant corruption hard to defend, but a group of historians began the task in the 1930s. Our author rightly notes that many of these historians were Marxists, but this is a restrained understatement. In fact, several of this movement's leading lights, such as James Allen and W. E. B. DuBois, found Lenin greatly to their liking; and the Communist Party actively propagated the new line. By smearing the older view as racist and pro-Southern, the new partisans triumphed.

DiLorenzo will have none of this nonsense, and he patiently dissects their sophisms. A chief method of the group is the misleading comparison. "These Marxist and 'liberal' revisionists argue that Reconstruction wasn't all *that* bad compared to, say, what happened when the Japanese invaded Nanking in the 1930s. . . . After all, Kenneth Stampp has argued, there were not even any mass executions of former Confederates after the war" (p. 203).

The unstated premise of Stampp's argument is that Southerners were enemy aliens who deserved whatever their Northern masters dished out to them; if so, anything less than total terror counts as merciful. Had Stampp, no doubt preoccupied with World War II, not presupposed this, he would have seen that a bad policy does not become good because worse things are possible.

In like fashion, Eric Foner, the reigning pontiff of the new school, has some good words for the Radicals' corruption. Was not the situation even worse in the North? DiLorenzo's reply exactly strikes its target: "The fact that corruption was even worse in the North proves the Dunning School's point; since massive corporate welfare was relatively new to the South, it hadn't quite equaled the North in terms of political corruption. The expansion of government, which Reconstruction facilitated, caused such corruption" (pp. 231–32).

A bad policy does not become good because worse things are possible.

This outstanding book has left me at wit's end. As everyone knows, I like to charge authors with having committed logical fallacies; but Professor

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DiLorenzo offers me almost nothing. At only one point do I think I have caught him out. In reply to those who criticize Dunning for racism, since he doubted the wisdom of at once extending the vote to uneducated blacks, DiLorenzo notes that these same critics "virtually deify" Lincoln (p. 204). But Lincoln was a white supremacist of the first order. To be consistent, must not those historians who dismiss Dunning's interpretations as racist "be just as skeptical of what has been written about Lincoln over the past 100 years and even reevaluate much of their own scholarship?" (p. 204).

I like to charge authors with having committed logical fallacies; but DiLorenzo offers me almost nothing.

So drastic a conclusion does not follow. Consistency requires these historians only to discount Lincoln's racist remarks; they may admire Lincoln for other reasons, without sinning against logic.

A few minor points: it should have been noted that some states opposed the Virginia and Kentucky Resolutions. (p. 111); not all Whigs favored the American System: John Tyler was a Whig as well as Henry Clay (p. 235); and the author of the article discussed on p. 231 was Stanley Coben, not "Cohen." My frustration at being able to find so little wrong with the book will not prevent me from congratulating Professor DiLorenzo for a magnificent contribution to history, vital reading for anyone concerned with the defense of liberty. ✦

Property: Convention or Right?

The Myth of Ownership: Taxes and Justice

Liam Murphy and Thomas Nagel
Oxford University Press, 2002
ix + 229pgs.

The Myth of Ownership stands out from most works of analytic philosophy. Usually, works by eminent philosophers cannot easily be dismissed. You may, for example, disagree with Rawls's *A Theory of Justice*, and believe that it contains poor arguments;

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but after you have said this, something remains of the book. It reflects a fundamental moral vision that, however mistaken, is more than a logical fallacy.

The present book is an unhappy exception to my generalization. Thomas Nagel ranks as one of the foremost contemporary philosophers, and Liam Murphy is a young legal philosopher of fast rising reputation. Nevertheless, the central argument of their book rests on a simple confusion.

Oddly, Messrs. Murphy and Nagel fall into error precisely as a result of their attempt to clear up what they

The central argument of their book rests on a simple confusion.

deem a wrong way of thinking. Many people, they claim, foolishly resent taxes. By what right does the government take away part of what we own? Is this not legalized theft? The government may claim that it needs the funds to provide essential social services: are the poor to be left to starve? But these assertions do not justify its policy of forcible seizure. Is it not up to each owner of property to decide what, if anything, he wishes to donate to charity and other good causes?

You might guess that the authors will respond, along conventional leftist lines, with a denial that property rights are absolute: you do not have the right to keep all that you own, if the government's exactions are devoted to a good purpose. Quite the contrary, they adopt a much more radical stance. You are not giving away anything at all to the government when you pay taxes, since you own only what the laws say you do.

Our authors are nothing if not direct on this point: "If there is a dominant theme that runs through our discussion, it is this: Private property is a legal convention, defined in part by the tax system; therefore, the tax system cannot be evaluated by looking at its impact on private property, conceived as something that has independent existence and validity. Taxes must be evaluated as part of the overall system of property rights that they help to create. . . . The conventional nature of property rights is both perfectly obvious and remarkably easy to forget . . . We cannot start by taking as given . . . some initial allocation of possessions—what people own, what is theirs, prior to government interference" (p. 8).

An example quickly discloses the authors' fallacy. Suppose that the government banned advocacy of libertarian property rights. Against those who claimed that this interfered with free speech, advocates of the new measure replied in this way: "Don't you see the obvious conceptual error that underlies your protest? 'Free speech' is a legal category. People have no independent liberty of speech, apart from

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what a particular legal system grants them. Your opposition is absurd: away with you!"

I doubt that Murphy and Nagel would display much patience for this sophistry. Legal rights indeed depend on the specifications of a particular legal system; but it is perfectly in order to say that people have moral rights, not created by the legal system, that the law ought to respect.[1]

In like fashion, opponents of taxation are guiltless of the conceptual error our authors impute to them. They maintain that people possess property rights that the government ought to recognize. Why is the falsity of this view "perfectly obvious"? It is rather Murphy and Nagel who have lapsed into grievous error: they confuse legal with moral rights.

The authors at one place acknowledge the point at issue: "[D]eontological theories hold that property rights are in part determined by our individual sovereignty over ourselves. . . . On a deontological approach, there is likely to be a presumption of some form of natural entitlement that determines what is yours or mine and what isn't, and this prima facie presumption has to be overridden by other considerations if appropriation by taxes is to be justified. On a consequentialist approach, by contrast, the tax system is simply part of the design of any sophisticated modern system of property rights" (pp. 44–45).

Our authors of course reject the entitlement view, but they have here made a crucial admission. Given that this theory exists, is it not evident that their earlier account is false? The alleged error that opponents of taxation commit is present only if the conventionalist theory is true. Supporters of Lockean entitlements to property may be incorrect, but they at least have a theory: they stand acquitted of simply failing to grasp a conceptual point, the charge that Murphy and Nagel bring against them. Do they think the Lockean account obviously incoherent? They say nothing against it but instead go on interminably to accuse opponents of their view of confusion.

People have moral rights, not created by the legal system, that the law ought to respect.

The conventionalist theory they support leads quickly to disaster. Is it not "perfectly obvious" that it makes us all slaves of the government? Once more, Murphy and Nagel acknowledge

[1]According to some versions of natural law, ostensible regulations that violate justice do not count as laws at all. I ignore here complications that stem from this contention.

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the objection. Their view "is likely to arouse strong resistance" because it "sounds too much like the claim that the entire social product really belongs to the government, and that all after-tax income should be seen as a kind of dole that each of us receives from the government, if it chooses to look on us with favor" (p. 176).

In response, they say, "It is true we don't own each other, but the correct place for this observation is in the context of an argument over the form of a system of property rights that gives due weight to individual freedom and responsibility" (p. 176). Elsewhere, they express sympathy for the "Hegelian" view that individuals need private property in order to express their personalities, but they do not think this limits the tax structure.

They fail to see that their admission gives away the game. If, as they admit, individual rights require some degree of private property, then the government cannot morally tax away this property. If so, there *are* moral limits to the taxing power, and it is not "a matter of logic" that there cannot be a pre-tax income over which persons retain full control (p. 176).

Murphy and Nagel are pure conventionalists about property when this enables them to attack libertarians.

Murphy and Nagel are pure conventionalists about property when this enables them to attack libertarians. How is this tension in their presentation to be resolved? I suspect that in practice they would not deviate very far from the total subordination of property rights to the state. They consider endowment taxation, in which people are taxed, not just on their income, but rather on their potential to generate revenue. Someone who abandoned a multi-million-dollar business career in order to become a Trappist monk might on the endowment account be taxed as if he continued to receive his former high income. Our authors eventually reject this monstrous proposal, though not on the grounds that it compels people to work.

To reject the proposal because it compelled people to work would put them suspiciously close to a famous argument, advanced very effectively by Robert Nozick, that income taxes are akin to forced labor. Of course our authors cannot accept so libertarian a view; "we may assume that this argument is not dispositive against taxation of earnings" (p. 122). Since taxation is acceptable—this we know a priori—no argument that holds it illegitimate is right. But then we cannot reject endowment taxation if we reason in a way that would also condemn the income tax. "[T]here is no intrinsic moral objection to taxing people who don't earn wages" (p. 124). We can,

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then, maintain that endowment taxation is "too radical" an interference with autonomy; but we cannot in principle reject it.

As everyone knows, I am always fair to my authors; so I hasten to present another way of understanding their claim that pretax property rights are incoherent. (They might also intend this as a separate, though related, argument.) Here, the principal claim is that, if there were absolute rights to property, a market economy would need to exist independent of government. Otherwise, these property rights could not be defended. But no such economy can exist: thus the notion of absolute property rights must be cast aside.

I think it obvious that Murphy and Nagel have not benefited so much as they might from the works of Murray Rothbard and Hans Hoppe, if indeed they have seen them at all. These authors, as it seems to me, have made an excellent case that a free-market society can operate without a government. But I shall here set this point aside, lest our authors dismiss me as a hopeless extremist.

Suppose, as I do not for a moment believe, that they are right: the free market cannot exist without a government. Why should this induce us to throw out property rights to pretax incomes? From the alleged fact that property rights could not be defended without a state, it hardly follows that these rights exist only as the government defines them.

Perhaps, though, our authors intend a simpler point. If we must have a government, the services it offers must be paid for; how then can property rights be absolute? First, even if one grants the need for a government, taxation need not come in its wake. Why cannot a limited government be financed through voluntary contributions? Even if this possibility is rejected, the authors' case cannot stand. The fact, if it is one, that compulsory contributions are needed to finance the activities of a minimal government leaves property rights otherwise untouched. A limited government with taxation leaves intact the possibility of almost absolute property rights.

The Myth of Ownership is not altogether worthless. The authors very effectively argue that the standard criteria of justice in taxation, such as the benefit and ability-to-pay principles, fall victim to a fatal defect. Justice in taxation cannot be assessed apart from a general theory of property rights. "Tax justice must be part of an overall theory of social justice and of the legitimate aims of government. Since that is so there can be no blanket rule that people with the same pretax income or level of wealth must pay the same tax" (p. 38).[2] Unfortunately, our authors, as I have endeavored to show, hold wholly incorrect opinions about the nature of such an overall theory. ✦

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[2]Murray Rothbard, whom our authors do not cite, long ago showed in *Man, Economy, and State* that the conventional criteria of justice in taxation are invalid.

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Don't Dream the Impossible

The Ideal of Equality

Edited by Matthew Clayton and Andrew Williams
St. Martin's Press, 2000
ix + 230 pgs.

This useful anthology contains the single most deplorable comment on a philosophical topic that I have ever encountered. But before I get to it, I must first set the stage.

The anthology collects a number of influential articles about equality, by such eminent philosophers as John Rawls, T.M. Scanlon, Derek Parfit, and G.A. Cohen. All favor egalitarian measures, but the book offers excellent material to those inclined in a libertarian direction. In their attempts to demonstrate the merits of equality, these distinguished thinkers succeed only in showing how weak this alleged ideal is.

Derek Parfit, in particular, devastates egalitarianism with his Levelling Down Objection. If you say that equality of wealth or income is an imperative of morality, are you not committed to the following strange consequence? A state of affairs in which everyone lives in poverty ranks morally superior to one in which a group of people in the society have risen to wealth. In the latter situation, the remainder of society stays poor and inequality has thus increased. Even though none is worse off in the changed circumstances and some have gained, our egalitarian dogma requires us to remain content with universal poverty. The benefits of the altered situation are bought at too high a price.

Parfit states the essence of his argument in this way: "Suppose that those who are better off suffer some misfortune, so that they become as badly off as everyone else. Since these events would remove the inequality, they must be in one way welcome . . . even though they would be worse off for some people, and better for no one. This implication seems to many to be quite absurd. I call this *the Levelling Down Objection*" (p. 98).

These distinguished thinkers succeed only in showing how weak their alleged ideal is.

Egalitarians might at first be tempted to counter Parfit by appeal to the supposed malign effects of inequality. What if the poor found that the prosperity of the newly fortunate lowered

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their self-esteem? Might not the increase in wealth enable the fortunate few to seize control of the government? By stress on such contingencies, egalitarians might seek to escape the force of Parfit's objection.

But replies of this kind miss Parfit's point: the Levelling Down Objection has a narrower focus. Egalitarians think that equality has intrinsic value: they advocate it for its own sake, not just to forestall bad consequences. Thus, they have to say that the situation Parfit depicts has been in part a change for the worse, even if these supposed bad consequences of inequality do not come to pass. Parfit's question retains its full force: why is the situation bad, when some in it have been made better off, and none worse off?

Readers will readily grasp why Professor Temkin wins my award for most unfortunate philosophical comment.

Larry Temkin, a philosopher of strongly egalitarian bent who once studied with Parfit, attempts to counter the objection. In so doing, he startles us with the following comment: "Isn't it unfair for some to be worse off than others through no fault of their own? Isn't it unfair for some to be blind, while others are not? And isn't unfairness bad? . . . But, the anti-egalitarian will incredulously ask, do I *really* think that there is some respect in which a world where only some are blind is worse than one where all are? Yes" (p. 155). Readers will readily grasp why Professor Temkin wins my award for most unfortunate philosophical comment. (I ought to have said that the works of Peter Singer are excluded from the competition.)

Temkin hastens to assure us that he does not favor blinding everyone to make things fair: "Does this mean I think it would be better if we blinded everyone? No. Equality is not all that matters. But it matters some" (p. 155).

It is heartening that Professor Temkin shrinks from this final absurdity, but his position remains bizarre. We may imagine someone who witnesses an airplane crash in which several hundred people die. As he looks on the scene of disaster in shock, Professor Temkin consoles him: "At least there were no survivors." Temkin never confronts Parfit's question: what is good about equality?

He does, however, raise an important issue. He asks why we find the Levelling Down Objection effective. The strength of the objection, he thinks, lies in the fact that the unequal state of affairs makes no one worse off. What then can be wrong with it? But

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do not supporters of the objection here rely on an unexamined assumption?

"At the heart of the Levelling Down Objection," Temkin says, "is a position I refer to as the Slogan: One situation cannot be worse (or better) than another if there is no one for whom it is worse (or better)" (p. 132, emphasis omitted). Temkin contends that the Slogan is by no means so plausible as it first appears. It is not absurd—it may even be true—that it is intrinsically good that criminals receive retributive punishment. Yet who is made better off by their punishment? Certainly not the criminals: who then? Yet retributive punishment cannot be dismissed out of hand. Thus, Temkin concludes, the Slogan should be rejected and with it, the Levelling Down Objection.

Temkin's conclusion relies on an unsupported premise. He rightly thinks that the Slogan can be challenged; but he fails to show that the force of the Levelling Down Objection depends on it. If the Slogan is rejected, a state of affairs can sometimes be worse than another without being worse for someone: but this does not tell us why equality is intrinsically good. Why is a state of affairs where all are blind better in any respect than one in which only some are blind? To reject the Slogan does not answer this question.

Temkin lends strong support to the libertarian view that there cannot be welfare rights.

Parfit's Levelling Down Objection seems to me fatal to egalitarianism, but several of the other contributors also raise points that classical liberals will find valuable.[1] I am glad in particular to note some excellent remarks in Thomas Nagel's "Equality." In another review in this issue, I have been less than welcoming to his *The Myth of Ownership*; but he is a philosopher of genuine distinction. In "Equality," he is in characteristic good form.

He lends strong support to the libertarian view that there cannot be welfare rights. "Rights . . . give every person a limited veto on how others may treat him. This kind of unanimity condition is possible only for rights that limit what one person may do to another. There cannot in this sense be rights to *have* certain things—a right to medical care, or to a decent standard of living, or even a right to life" (p. 67).

Professor Nagel has not embraced the free market—far from it. But he

[1]Parfit himself does not think his example proves this much. He states of the Levelling Down Objection: "This objection seems to me to have great force, but is not, I think, decisive" (p. 115). He does not explain why it is not.

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By the terms of the difference principle, inequalities that help the worst off are morally permissible.

recognizes that the egalitarian policies he favors demand another sort of moral theory than a rights-based one: "The language of rights is sometimes used . . . to indicate the priority of more urgent over less urgent human needs, and this is essentially an egalitarian principle"[2] (p. 67; the context makes clear that Nagel rejects this usage).

But are we not here insisting on the importance of a mere matter of definition? Why should we care whether claims to equality or welfare are termed "rights"? The value of Nagel's point, as it seems to me, is that many philosophers find a morality of rights attractive, but wish to fit welfare claims within this framework. Nagel shows that this cannot be done, and he thus gives us a useful argument against Alan Gewirth and other philosophers who defend this position.

My favorite Marxist, G.A. Cohen, strikes at the heart of the most influential contemporary egalitarian view, John Rawls's *A Theory of Justice*, in his selection, "The Pareto Argument for Inequality." Rawls's notorious "difference principle" is egalitarian; but, at least in part, Rawls has parried the force of the Levelling Down Objection. By the terms of the difference principle, inequalities that help the worst off are morally permissible. Why insist on complete equality, when the poor will be better off without it?

The difference principle does not altogether escape Parfit's challenge. Suppose that some group in society other than the worst off can benefit from inequality, without harming anyone else. Should this sort of inequality be allowed? The difference principle does not justify it, but why should it be forbidden?[3]

Even if Rawls does not altogether escape the objection, his theory seems much more plausible than strict egalitarianism. But, Cohen inquires, can it be called an egalitarian theory at all? According to Rawls, inequalities can benefit the worst off through their incentive effects. If people can increase their wealth or income beyond the norm, they will produce more; and part of the increase can be taxed away to help the poor.

Cohen claims that true egalitarians should not respond to incentives. If

[2]Parfit shows in convincing fashion that, contrary to Nagel, priority for the worst off differs from egalitarianism; but we cannot pursue the matter here.

[3]It is controversial whether Rawls's theory in fact forbids these inequalities.

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people genuinely believe in equality, they will work just as hard for the good of society as they will for their own advantage. "[D]eparture from equality is necessary only if and because talented people do not adjust their behaviour to the demands of the conception of justice required by the grounds given for starting with equality" (p. 176). In essence, egalitarians cannot have it both ways: if equality is morally mandated, it cannot be confined, as Rawls attempts, to the fundamental institutions of society. It must be applied at the personal level as well.

Rawls will no doubt answer that Cohen has ignored the realities of human nature. Would not the "strains of commitment" be excessive under the system Cohen imagines? If people worked as hard without incentives as with them, well and good; but do we not know that this is impossible? This response seems to me perfectly adequate as far as it goes, but it does not meet Cohen's argument.

Cohen thinks that egalitarians stand committed to a standard of personal behavior, as well as to a structure of social institutions. If they cannot live according to this standard, this hardly shows, as Rawls imagines, that we can construct a less demanding egalitarian position. Instead, it shows that equality is an unworkable principle.

In sum, *The Ideal of Equality* offers convincing reasons against the very "ideal" the contributors to the book wish to support. I suspect that this result is not altogether to their liking: so much the better. ✦

CALUMNY AS A PROFESSION

"What Would Jesus Have Done? Pope Pius XII, the Catholic Church, and the Holocaust"

BY DANIEL JONAH GOLDHAGEN
THE NEW REPUBLIC
JANUARY 21, 2002
PP. 21–45

Mr. Goldhagen maintains that the controversy over Pius XII's reaction to the persecution of Jews during World War II must be understood against a broad background. Anti-Semitism, to a large extent instigated and promoted by the Catholic Church, has disfigured the entire course of European history. Critics of Vatican policy during World War II have erred through narrow concentration on the Pope's failings. Goldhagen has no use for Pius XII, but his indictment ranges much more widely: his target is Christianity.

Goldhagen argues in a strange way. Any profession of the truth of Christian doctrine, when this differs from Judaism, counts in his view as anti-Semitic. He cites, for example, from an encyclical of Pius XII the following: "But on the gibbet of his death Jesus made void the Law with its decrees . . . on the Cross then the Old Law died, soon to be buried and to be a bearer of death" (p. 28).

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This, one might have thought, is classically orthodox. Christians believe that man cannot fulfill the law by his own efforts; without Christ, the law condemns rather than saves. Goldhagen, incredibly, thinks that the "Old Law" means the Jews and thus finds the Pope asserting the "ominous," if unclear, statement that Jews are the bearers of death. By such tactics does Goldhagen transform Christianity into hatred of Jews.

Perhaps I have interpreted Goldhagen uncharitably. He does speak of the "false charge" that Pius has directed against the Jews, but is not his real concern elsewhere? "But the making of such a false charge when the Jews were being slaughtered in Christian and Catholic Europe tells us a great deal about its author" (p. 28). Is not Goldhagen's real complaint that the Pope spoke unfavorably of the Jews at a horribly bad time for them? Even if the Pope spoke the truth, he ought to have kept silent.

This defense fails, because it presupposes Goldhagen's misreading of the encyclical. Only if one assumes that the Pope is talking about the Jews at all does the question arise of whether his comments were inopportune. Goldhagen might respond that since Jews deny that Christ fulfilled the Law, the Pope's remarks implicitly attack them. But then his position reduces to the claim that the Pope, for the duration of the war at least, should have renounced Christianity.

Goldhagen's logic is no better than his theology. On the one hand, he condemns Pius XII for failing to issue an encyclical, commissioned by Pius XI, that denounced Nazi anti-Semitism: "This practice of evasion and denial began as early as 1939, when Pope Pius XII suppressed *Humani Generis Unitas,* the not-yet-promulgated encyclical against racism of his recently deceased predecessor Pope Pius XI. The encyclical explicitly condemned the Nazis' anti-Semitism and called for the cessation of the Germans' persecution of Jews" (p. 22).

Goldhagen's methods of argument do nothing to advance inquiry. He is a crude propagandist, not a historian.

On the other hand, it transpires later in Goldhagen's article that the very encyclical in question was itself anti-Semitic. "Even Pius XI's suppressed anti-racism encyclical is animated by modern anti-Semitic charges that might be called soft Nazism. This should come as no surprise. . . . Pius XI had long been a committed anti-Semite" (p. 37). [Does Goldhagen think that Pius XI said, "Spiritually, we are all anti-Semites?"] Pius XII is thus an anti-Semite for declining to issue an anti-Semitic document. Goldhagen's methods of argument do nothing to advance inquiry. He is a crude propagandist, not a historian. ✦

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